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MARKETING & MEDIA
DECISIONS
JANUARY 1988 • $4.00

HELP WANTED

Both clients and candidates consider media recruiters more a necessary evil than a resource. So who's going to help fill that long-empty chair? Tales from the head-hunter wars.

WALL STREET'S CRASH COURSE

WINNING WITH GAME SHOWS

BRAND REPORT: PERSONAL COMPUTERS

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MARKETING & MEDIA DECISIONS

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There's no doubt about it: Head-hunters can use a good public-relations person. Abuses by some, the strange ways of others and the industry's overall lack of understanding of how they work keep media department recruiters at arm's length from clients and prospects. When all else fails, however, they get the job done.

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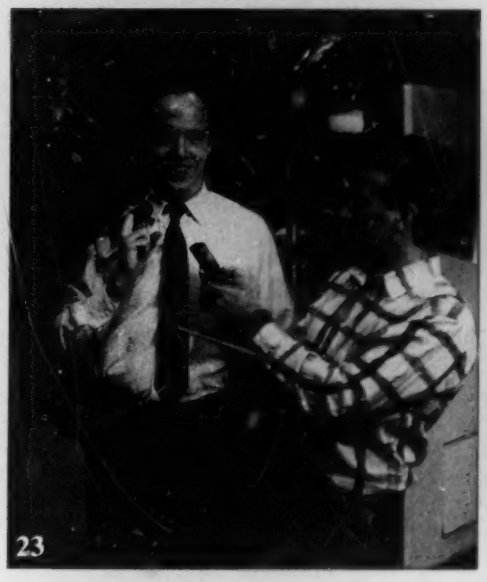
This month, we introduce a new feature page to accompany our monthly Brand Reports. Mediamark Research Inc. provides *Decisions* readers with a demographic profile of personal-computer buyers and illustrates their media habits based on MRI's media and marketing data bank.



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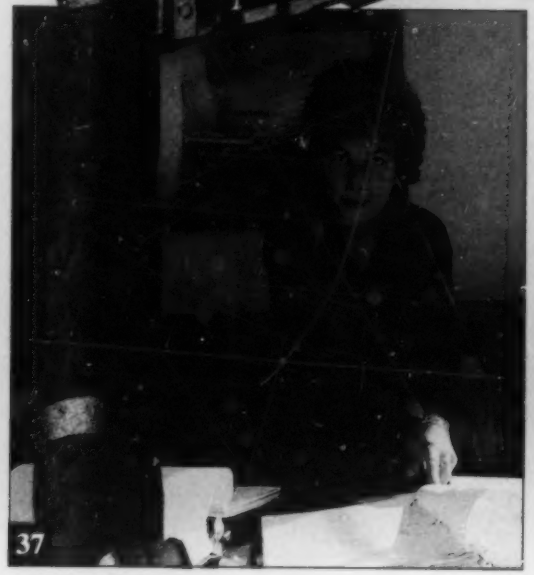
Cover photograph by Maria Ferrari



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BRAND REPORT

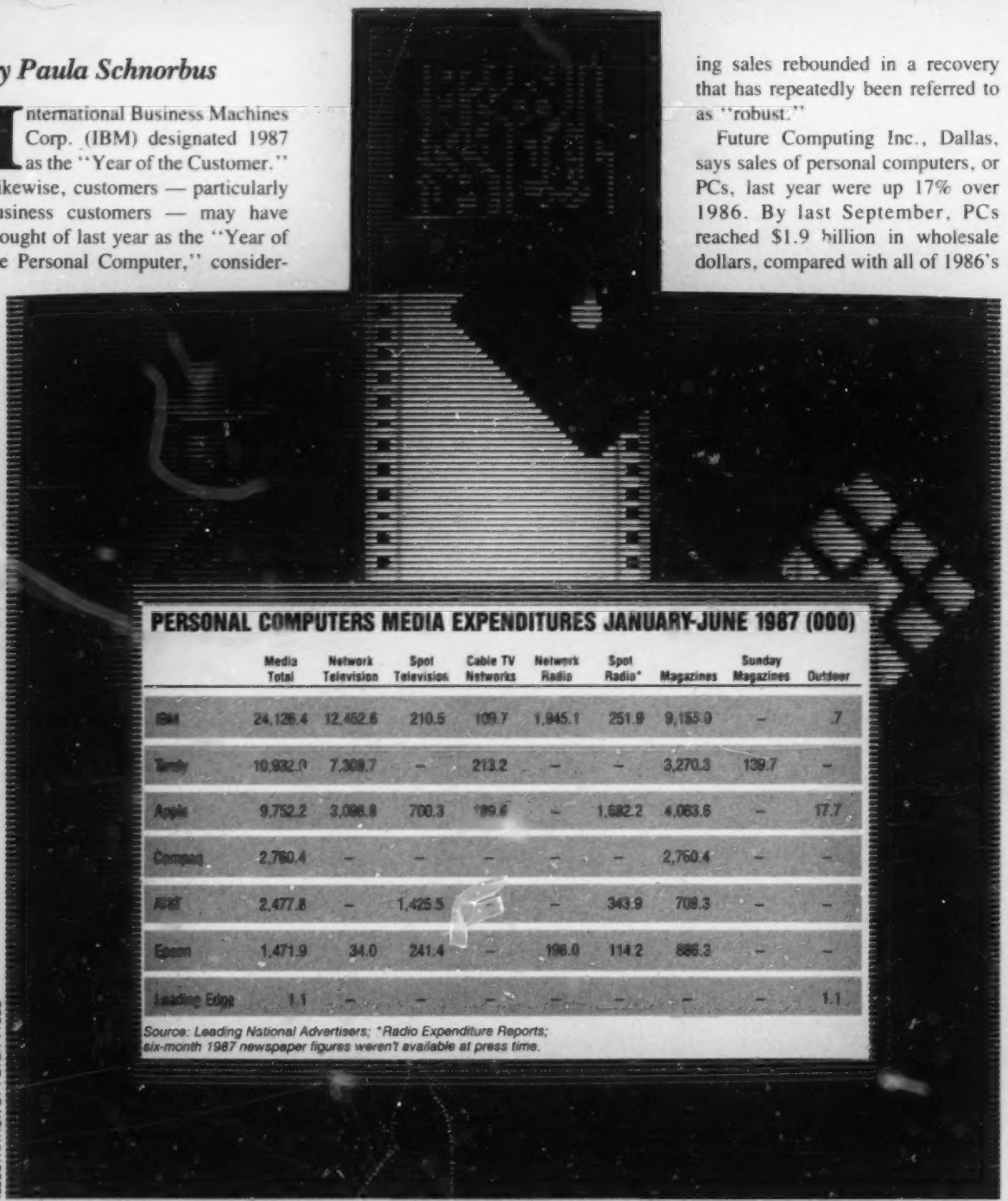
No. 149: Personal Computers

BUSINESS ADDS BYTE

by Paula Schnorbus

International Business Machines Corp. (IBM) designated 1987 as the "Year of the Customer." Likewise, customers — particularly business customers — may have thought of last year as the "Year of the Personal Computer," considering sales rebounded in a recovery that has repeatedly been referred to as "robust."

Future Computing Inc., Dallas, says sales of personal computers, or PCs, last year were up 17% over 1986. By last September, PCs reached $1.9 billion in wholesale dollars, compared with all of 1986's



PERSONAL COMPUTERS MEDIA EXPENDITURES JANUARY-JUNE 1987 (000)

	Media Total	Network Television	Spot Television	Cable TV Networks	Network Radio	Spot Radio*	Magazines	Sunday Magazines	Outdoor
IBM	24,126.4	12,452.6	210.5	109.7	1,945.1	251.9	9,153.0	–	.7
Tandy	10,932.0	7,308.7	–	213.2	–	–	3,270.3	139.7	–
Apple	9,752.2	3,098.8	700.3	89.6	–	1,682.2	4,063.6	–	17.7
Compaq	2,760.4	–	–	–	–	–	2,760.4	–	–
AT&T	2,477.8	–	1,425.5	–	–	343.9	708.3	–	–
Epson	1,471.9	34.0	241.4	–	196.6	114.2	885.3	–	–
Leading Edge	1.1	–	–	–	–	–	–	–	1.1

*Source: Leading National Advertisers; *Radio Expenditure Reports; six-month 1987 newspaper figures weren't available at press time.*

ILLUSTRATION BY PETER TYLUS

The team from the tv show **M*A*S*H** *hawks IBM products without Hawkeye.*

$1.7 billion (based on what specialty stores are buying, according to IMS America Ltd., a Plymouth Meeting, Pa.-based research firm).

There were good reasons for such growth. New-product introductions from the PC industry seemed to blast forth like machine-gun fire. IBM brought out its new Personal System/2 literally in a burst of fireworks. Apple Computer Inc., the desktop-publishing pioneers, rolled out Macintosh II and Macintosh SE. Compaq Computer Corp. continued to introduce computers based on the 80386 microprocessor from Intel. And Tandy Corp. brought out its aggressively priced IBM-compatible computers, one of which sells for as low as $699.

"The big trend is downsizing," observes Nancy McSharry, a senior analyst at International Data Corp., a Framingham, Mass.-based market-research firm. Besides the lower cost, PCs are a lot more powerful today than when they were first introduced 10 years ago.

Analysts add that computer literacy is on the rise, as is the desire to "keep up with the Joneses." Says Seymour Merrin, of Merrin Resources, a Southport, Conn.-based consulting firm for the industry, "It's a competitive panic. 'The guy down the street is using one, and I'm not able to do what he does,' " mimics Merrin. "They are beginning to realize there is a reason for it." Merrin maintains that the "office-extension market," or those who have a PC in the office and buy one to do work at home, is growing rapidly.

This is reflected in a demographic sketch compiled by Mediamark Research Inc. in the spring of 1987. (See "Brand Report Index," pg. 70.) PC buyers are mostly 35- to 44-year-old men who graduated from college and currently work in executive, administrative, managerial or professional positions. They live mostly in the West and, to a lesser extent, the Northeast. They also are parents of school-age children.

Meanwhile, an increasing proportion of PCs are being sold to the workplace. Before 1985, says Jocelyn Young, an analyst with Future Computing, a higher percentage of PCs served the home market. Apple's initial market, for example, was the home, but with the advent of its desktop publishing, it has been repositioning itself to businesses. Compaq, founded just six years ago, *only* pitches its PCs to businesses.

Courting corporations has gained market share for these PC companies — much to the dismay of IBM, which has been losing market share but still remains the kingpin of the microcomputer world. It has twice as much market share as any of its competitors, no matter which research firm is doing the measuring.

IBM brought out the Personal System/2 last April in what some said was an effort to beat the IBM clone makers by creating a new standard. When the company first introduced its PC in 1981, it set the original standard for personal computers. According to Business Trend Analysts Inc., Commack, N.Y., the introduction was "almost self-defeating for IBM, however, as the PC's open-architecture design facilitated its 'cloning' by many manufacturers."

The clones cluttered the market, and analysts say that they are already taking steps toward cloning the Personal System/2, although IBM also is taking steps to stay ahead of the imitators. It's not even clear how many imitators there may be, since not everyone is sold on the Personal System/2.

However, IBM being IBM, it generally rises above such second-guessing. Ed Juge, Tandy's director of marketing planning, says there are two sayings that apply here. One involves IBM and the "FUD" factor, or Fear, Uncertainty and Doubt: If a company doesn't buy IBM, "something bad will happen." The second maxim is, "Nobody ever got fired for buying IBM," says Juge, adding that even if 100% of the computers go down, the defense of the buyer is that he or she bought the

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best on the market.

Not everyone thinks IBM sets the standard anymore. Compaq beat IBM to Intel's popular 80386 microprocessor. AT&T is running ads with business-computer buyers advising looking at options, and Apple is running a two-page ad with the big headline, "MIS manager buys Macintosh, keeps job."

The boom market of 1987 may or may not last, depending on who is doing the analysis. Patricia Woo, a research analyst for PC service at Gartner Group, a research firm in Stamford, Conn., predicts a growth of 25% next year, or maybe a little less because of the current economy. But Young of Future Computing says the market is maturing and will only grow at a compound annual rate of 8%.

Following are the companies with the biggest market shares in the total microcomputer industry for the first nine months of 1987, according to IMS America Ltd.: IBM, 44%; Compaq, 21%; Apple, 19%; and Epson America Inc. and Leading Edge Products Inc., both 3%.

Because the market shares are based on wholesale dollars, or what specialty stores have bought, Tandy, which distributes through its Radio Shack stores, doesn't make this list. However, at press time, Future Computing figured that Tandy would finish 1987 with an 8% share based on all channels of distribution.

AT&T was added to the list based on Dataquest's prediction that AT&T will bring in $484 million in 1987, making it number five on the projected biggest revenue list in microcomputer companies.

Advertising expenditures for 1987, listed throughout this report from Leading National Advertisers, don't include trade magazines or newspapers (no figures available for comparable period), which get heavy usage from PC companies.

IBM

The Personal System/2, the new baby that IBM calls the next generation in personal computing, may be more personal than some think. In the past year, IBM has been getting more involved with its customers and their needs as they relate to all IBM products, not just the Personal System/2, the giant computer-maker says.

The 1987 "Year of the Customer" began with IBM making a concerted effort to let its customers know where it is going. In turn, the customers have been telling IBM where their own companies are going. With this give and take, IBM says it will be able to show customers how IBM products can best help companies achieve their goals. IBM also has been trying to simplify its customer contracts. In addition, Big Blue has been beefing up its field-marketing force through new hires or by shifting current employees. The "Year of the Customer," an IBM spokeswoman says, "has marked a turning point in doing business."

Since IBM unveiled its Personal System/2 last spring, it has been trickling out the products, ranging from the Model 25, which has a collegiate version, to the Model 80 with its "high-power, advanced workstations," says a spokeswoman, who adds that the range in power reflects the wide scope of the target audience. The Personal System/2 is compatible with existing PCs, the predecessors, but the new computers "will really come into their own" with the new Operating System/2, due out the first quarter of this year. IBM is no longer marketing any of the original family of PCs except for the PC XT and the PC AT, she adds. Because of the complexity of the Personal System/2, IBM dealers now have new requirements and must be retrained, becoming "advanced products dealers."

To support the Personal System/2, actors from the tv show *M*A*S*H*

Computer marketers are courting corporations. Compaq Computer makes its pitch *only* to businesses.

have been hawking the products. "We didn't set out to hire the *M*A*S*H* team, since there isn't any association with the tv program," a spokeswoman explains, adding that IBM was looking for a group of instantly recognizable actors to promote the teamwork concept of the Personal System/2. The "very successful" team has been hired for a multi-year contract. Lord, Geller, Federico, Einstein Inc. is the ad agency.

IBM has made classic choices in picking shows on which to run its 30- and 60-second tv spots, such as news and sports, as well as prime-time programing, including *Family Ties* and *Cheers*. There is no cable.

The Personal System/2 also is advertised on spot radio and in major-market newspapers, though no co-op is used. Also bought are computer trade books, education and business magazines, as well as *Working Woman*, which IBM considers a general business magazine, notes the IBM spokeswoman.

Direct mail was used in the fourth quarter in 1986 to promote software rebates and free software, and $2,500 of instant credit was available for customers who qualified for the Personal System/2 credit card. Also offered were 16 additional free software programs with a purchase of a Model 25 or Model 30. Grey handles the direct-mail campaign.

Newspaper expenditures for all IBM computers added up to $9.2 million in 1986, reports Media Records.

COMPAQ COMPUTER

Compaq likes to think of itself as unique, because it doesn't go after the home or the education market but sticks strictly to business. Compaq Computer also is unique because it reached the Fortune 500 in 1985 after only being born in 1982. The company raked in $313 million in sales in the third quarter of in 1986 — a 113% increase over the previous year — and also earned $36 million, a whopping 319% increase.

Compaq's ad theme has been consistent: "It simply works better."

The company, which doesn't do any direct sales, uses only authorized dealers for distribution. Compaq offers them a few sales-generating programs, such as an executive briefing program, where potential buyers may come to Compaq to meet the company's senior officers. This, as well as other promotional activities such as co-op advertising, training programs and sales-incentive programs for sellers, are funded by Salespaq, a dealer-support program. About $20 million to $30 million is spent annually on Salespaq.

Print provides the backbone of Compaq's media plan. Because "more experienced users" are most likely to buy a Compaq, says Mike Swavely, vice president, sales and marketing, books used include *Datamation*, *Computer Decisions* and also enthusiast magazines such as *PC World*. The *Wall Street Journal* is used heavily for a broader reach of top management. About $10 million to $15 million is spent on print ads. Compaq also uses six- to eight-page inserts for product introductions.

Swavely says direct marketing is "probably the most cost-effective promotional tool available." The new-product inserts are sent to high-probability buying prospects.

Tv ads aren't running currently, but when they do run, they are used for image building and broader product awareness.

All told, Compaq's promotional expenses run well over $50 million, says Swavely, who adds that the figure also includes trade shows and exhibits. Ogilvy & Mather is the agency.

APPLE

When Apple Computer Inc. began making inroads into businesses by highlighting the desktop-publishing capabilities of its Macintosh units, it was no surprise, considering the refocus of its advertising.

Bruce Mowery, director of marketing communications, says that Apple, which has always targeted the education market, repositioned itself to de-emphasize home use and go after business. The company began looking at businesses in a broad sense as well as a vertical sense, peddling its desktop publishing heavily to communications companies, advertising and public-relations firms, graphic houses and design consultancies, among other prospects.

"Now we're coming in the front door," says Mowery, referring to Ap-

Born in 1982, Compaq landed in the Fortune ~~500 in 1985~~.

ple's former backdoor status, when the computers were purchased on the sly by employees from companies that used IBM PCs. He adds that Apple computers are "good for all sorts of business applications," even spread sheets.

The Macintosh also is able to make transparencies needed for overhead projectors, which, incidentally, are free if an Apple Desktop Presentations System — an Apple Macintosh SE or Macintosh II computer and one of the LaserWriter Printers — is purchased. This offer is made known through a direct-mail piece that also offers a free copy of the book *How to Prepare, Stage and Deliver Winning Presentations*. The book is also free just for letting Apple demonstrate its computer wares to a potential customer.

Direct-mail usage has risen dramatically in the past two years as Apple targets business prospects. Mowery adds that direct mail is an effective device in higher education, because it is difficult to find magazines that reach the computer-science faculty.

LNA reports a five-media level of $9.8 million in the first half of 1987. Print advertising is done on a more vertical basis in books such as *Graphic Arts Monthly*, says Mowery. The computers still appear in broader business books, including *Business Week* and *Forbes*. Education magazines that run the gamut from elementary school to higher education are used, as well as the *Journal of Academic Computing*. Other publications include *Government Computer News*, and, in the past, ads ran in *Working Woman* and *Parents*.

Tv is still being used but to a lesser extent than when Apple was targeting consumers. Currently, 30- and 60-second spots run on the usual news and sports shows and also on cable networks such as CNN. Spot tv is used for promotional advertising. "Tv is effective in terms of quickly gaining awareness and building an emotional bond with the viewer," explains Mowery.

There are also Macintosh business forums, which are regional, two-day seminars in major markets. Apple executives and third-party developers of peripherals are available to provide information on computer applications for participants' businesses.

Apple's desktop publishing turned the heads of businesses.

Radio is used principally for promotional activity and most often for the Apple II products. Apple II was promoted during the Christmas season through an awareness-advertising program in newspapers and radio. The principal reason to bring the Apple II into the home is for learning, says Mowery, "a much different selling proposition than the Mac." The Apple II is advertised in 30-second spots during prime-time shows, such as *Family Ties*, and also some sport shows.

BBDO is Apple's ad agency. In 1986, about $7.2 million was spent on newspaper ads, says Media Records.

Epson has stopped emphasizing its features and now talks about the brand.

EPSON AMERICA

Computer printers had been Epson America Inc.'s link in the industry until 1983, when the U.S. marketing arm of the Japan-based Seiko Epson Corp. debuted its "notebook" or lap-top portable computers.

Still, Scot Edwards, director of the unit's corporate-marketing communications, says Epson didn't become a serious contender until 1985, when a complete line of IBM PC-compatible desktop computers was introduced. Epson currently markets three IBM-compatible desktop computers and a laptop model.

Epson users are in the 25-to-54 age range, with $30,000 or more annual household income. Epson computers, Edwards explains, are predominantly for business and for those who bring their work home. He adds that the computers are "very strong" in small business, in part because of Epson's retail distribution.

Edwards says that the marketing thrust has changed in recent years from being product oriented to being brand oriented. The previous focus was on features and the benefits of the products. A year ago, Edwards says, Epson launched a "fairly aggressive" brand campaign. "We started marketing the Epson brand as it transcends computers and computer printers," explains Edwards, who adds that brand leaders are now emphasizing the brand story as the industry becomes sophisticated.

Edwards points out that more recent Epson advertising isn't geared only to enthusiasts, its previous target. Epson has used 30-second spots on network tv during the World Series, *Monday Night Football* and other prime-time programing, including *L.A. Law* and *The Cosby Show*. Radio spots are either 30 seconds or 60 seconds, including seven-second dealer tags.

ROP ads run in the *Wall Street Journal* and *USA Today* and also in major city newspapers. Ads also are placed in weekly newsmagazines and computer trade books. Edwards says the plan for magazines is to go more for frequency than reach. Epson ads also may be seen in government publications as well as *Sports Illustrated* and *Golf Digest*.

Indeed, part of Epson's total marketing mix includes sports marketing.

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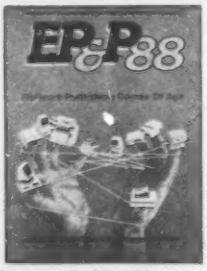

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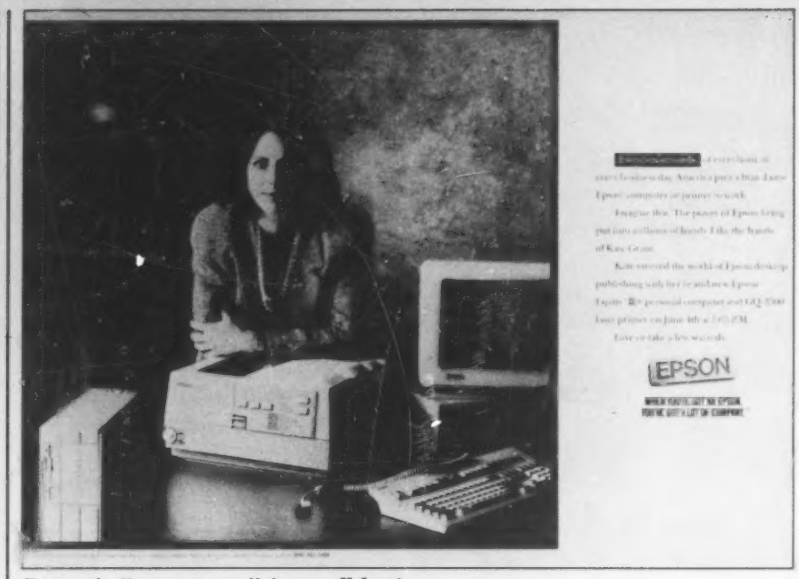

Epson is "very strong" in small business.

Epson is the official computer-products company of the Professional Golfers Association. Edwards says his company participates in tournaments by bringing computers on-site for scoring. "It gets us involved for demographic exposure," he says. Epson runs a fan-enhancement program and sets up computers and printers in corporate hospitality suites or tents and even around the golf course to provide up-to-the-minute statistics and also calendar-year stats and biographies of players.

FCB/San Francisco does Epson's national advertising, and McCaffrey & McCall handles promotional and field-level advertising for newspapers and radio. Edwards says that $50 million, as has been reported elsewhere, is "not way off the ball" when putting a price tag on Epson's promotional and national image advertising. Media Records says about $5 million was spent on newspaper advertising in 1986.

LEADING EDGE

Leading Edge Products Inc. got its start in 1980 as a wholesaler and distributor of peripherals and other supplies. So for the first few years, says John Sullivan, vice president, marketing, Leading Edge Hardware Products Inc., the company was building up a distribution network. And then in the latter part of 1983, its first computer debuted.

"We had been trying to find a niche in the marketplace after the introduction of the IBM PC in 1981 and how to best serve the industry as a whole," explains Sullivan. "If we could introduce products that were much more affordable, we could increase customer productivity and offer computers to those who previously couldn't afford them."

The thrust of the Leading Edge marketing program is "the same today as back then, and that is to offer the best product at the best price," says Sullivan. The company markets two lines of personal computers, with three models each.

Leading Edge's prime customers include the at-home user, both personal and business, and medium-sized businesses. The computers also are sold to the education market. Sullivan quickly adds that the list "doesn't preclude Fortune 500 companies." Sullivan says that the biggest percentage of buyers use the computers for word processing.

The media plan isn't extensive. National advertising may be found in *USA Today*, the *Wall Street Journal* and the *Los Angeles Times*, as well as trade books such as *Computer & Software News* and *PC Week*.

Sullivan says that the extreme expense of television has caused Leading Edge to "turn its back on tv commercials." The company's current media plan, Sullivan thinks, reaches a more targeted audience. There is a dealer co-op program under which Leading Edge

gets time on tv and radio and billboards as well as in trade shows. Advertising is handled by an in-house shop, which is developing new creative, due out this month.

Direct mail accounts for about one third of Leading Edge advertising, says Sullivan. Using names from their own lists, those from a dealer base or purchased lists, personnel or information service directors receive news about promotions, discounts, incentives and awareness material for computers and software. Leading Edge also provides dealers with materials to do their own direct mail.

TANDY

In a sea of IBM clones, Tandy touts itself as providing the best value, says Ed Juge, director of market planning, citing a recent *Datamation* magazine study that shows the number-one reason for buying a Tandy is price. But, he adds, value doesn't mean price alone. It is also Tandy's ability to support and service the products it sells, which was the second reason for buying a Tandy, according to the study.

Tandy also claims it was the first mass-marketer of PCs, starting in 1977, with the benefit of its Radio Shack consumer-electronic stores. It may not have set the industry standard, but it has been keeping up with IBM models. For instance, Tandy has produced its own PCs with the new OS/2 capabilities. Tandy has about 15 PC

Tandy touts itself as the "best value."

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SUNDAY

ADSAT

Source: Scarborough's 1987 Newspaper Audience Ratings Study.

models, ranging from three different laptops to a Multiuser Tandy 6000 HD.

Last year, Tandy introduced some particularly aggressively priced models. The Tandy 1000 HX, for example, sells for $699. At a price like that, it is easy to understand why the 1000 series, prices of which run in the upper hundreds of dollars to $1,200, is geared to small businesses and families who bring work home. Tandy also dropped prices $50 or $100 for Christmas and offered payment plans of $15 a month. Also at Christmas, Tandy's entry-level color computer, which regularly sells for $199, was going for $129.

With such a product range, Juge says Tandy's target audience is "anyone who will spend money on a PC," but notes that Tandy's strengths are in small- and medium-sized businesses and the home and school markets.

Tandy is no slouch about reaching those markets, spending about $200 million on advertising, according to Juge. "We advertise in any media you can think of," short of outdoor, Juge says. Central Advertising Agency, Tandy's own, creates the ads.

Tandy's product range makes its target audience "anyone who will spend money on a PC."

The company's personal computers may be seen in 30-second spots on news and sports programing on all three networks as well as on cable networks, such as Entertainment & Sports Programing Network, Cable News Network, USA Network and CBN Cable Network. Radio supports specific sale events.

The PCs hit an overwhelming 150 magazines, including the typical books, such as *Business Week* and the computer trades, as well as *Schoolboard Journal, Black Enterprise, The Journal of Accounting, Working Mother* and *Smithsonian*.

Tandy PCs appear in the *Wall Street Journal* and general-product advertising in more than 1,000 newspapers a week.

There also is a flyer that goes out to 30 million people once a month that Juge says accounts for the "biggest chunk of ad money." About half of the ad budget is in ROP newspaper ads, flyers and free-standing inserts, he explains.

AT&T

AT&T, which has been hawking its personal computers since 1984, is marketing five basic models that range from single-user computers to multiuser, such as the 6386, which the company boasts can handle more than 30 users.

The flagship product is the 6386, and "we're putting a lot of emphasis on that," says Tom Nelson, marketing manager for personal computers. Most of the ad dollars will go into that model.

AT&T's "people-oriented campaign" for its personal computers was implemented in October. "We are stressing where our computers make a difference with people," explains Nelson, who says that previously the ads were factual and product focused. "Our ads now are solution focused."

The line of personal computers is pitched to businesses and professionals who take work home with them. One of the recent promotional efforts was called "Monumental Savings" and allowed a buyer $100 off the more he or she buys. A customer also can earn points toward AT&T long-distance certificates or points against the next purchase.

A direct-mail campaign beginning this winter will go after two focus groups and offer buyer incentives.

Tv commercials for AT&T, which are 30- and 60-seconds, may be seen during the usual news and sports shows. Print ads are in business publications, trade magazines and also the *Wall Street Journal*. Ogilvy & Mather is the agency. ■

". . .and then I told him 'So what! Everybody and his brother earns over $50,000 in Orange County'..."

Over 30% of all Orange County households earn $50,000 and above, the highest percentage of all major Southern California markets. More than half of all adults in these households are Register readers.
(S&MM, 1987 Survey of Buying Power; Scarborough's 1987 Newspaper Ratings Study)

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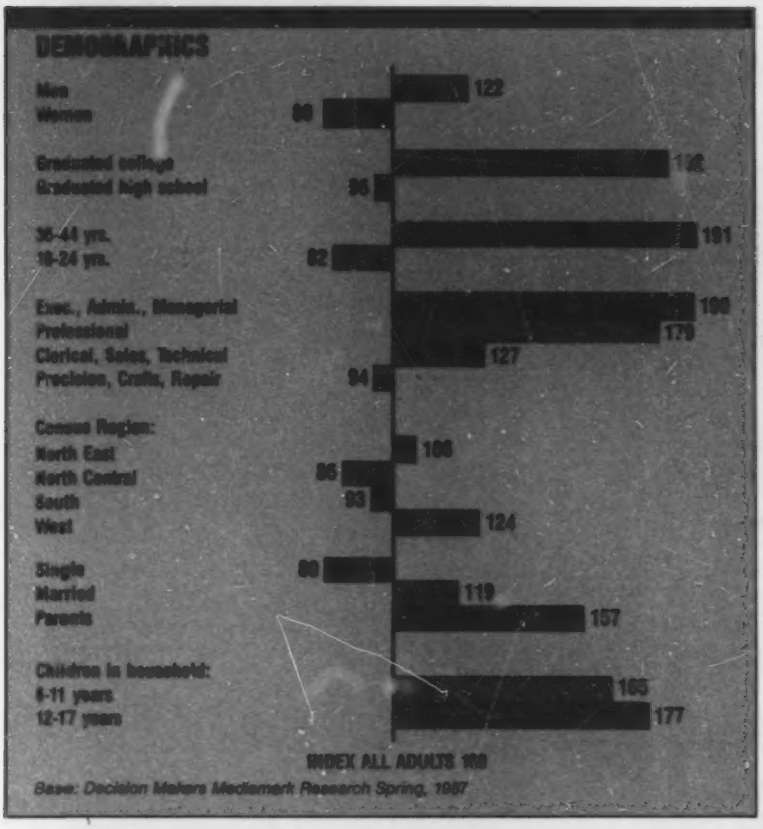
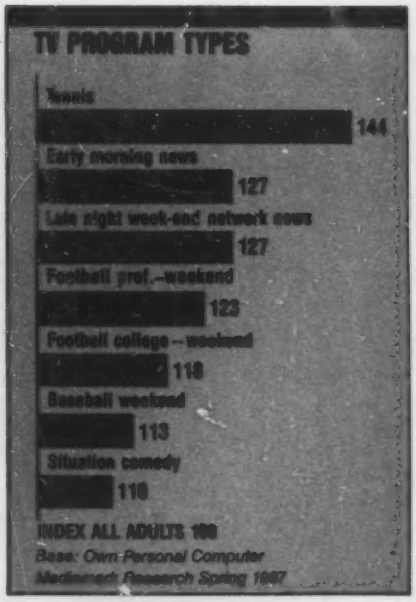
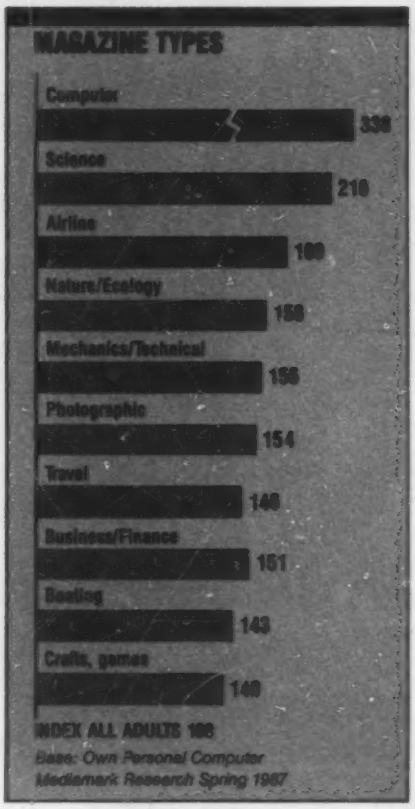
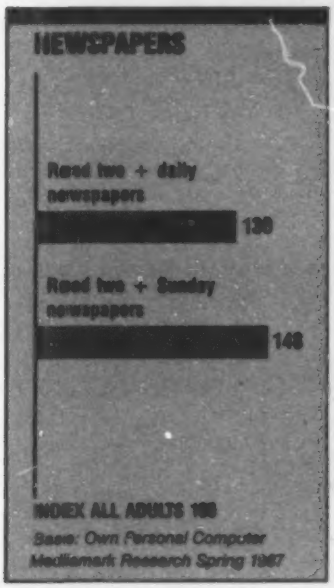
BRAND REPORT INDEX

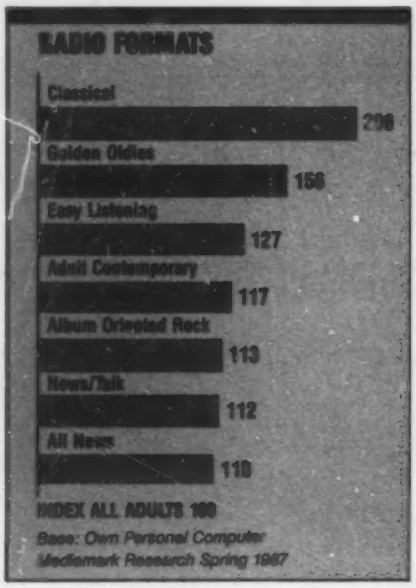
PERSONAL COMPUTER OWNERSHIP











POINT/COUNTERPOINT/

ECONOMIC OUTLOOK '88

POSITIVE THINKING

In the wake of a 30% decline in the stock market, it may seem wildly optimistic to forecast a year of continued economic growth for 1988. But I do, and I shall explain why.

There were grave doubts about the staying power of the five-year-old expansion prior to October 19, a.k.a. Black Monday. In September, a survey of members of the National Association of Business Economists revealed that 85% of the respondents expected a recession in either 1988 or 1989, but two thirds of these expectations were focused on 1989 and only one-third on 1988.

In the weeks prior to October 19, however, sentiment appeared to shift toward the earlier year. The reasons? First and foremost, there was a rapid escalation of interest rates. Most tellingly, housing affordability was seriously threatened by 11.6% fixed-rate mortgage charges. Second, Washington was frozen into a federal budget stance that would leave the deficit at $170-180 billion in fiscal '88, requiring even higher interest rates to attract domestic and foreign capital for its financing. Third, because the U.S. dollar was no longer supposed to decline — by international fiat — heavy trade deficits appeared destined to continue, constituting a drag on the U.S. economy.

October 19 jolted U.S. and foreign policy makers into at least the beginning of corrective action. Interest rates plunged under the influence of Federal Reserve policy redirected toward the recession danger. With the dollar once more relatively free to decline, prospects for trade improvement have picked up. Most important, a budget accord between the administration and congressional leaders was forged that, while still tentative and perhaps too limited, has proved sufficient to encourage leading foreign countries to reciprocate by taking expansionary steps for their own economies.

As a consequence of this new deal in economic policy, U.S. trade prospects for 1988 have improved materially, also aided, of course, by years of blood-letting cost cuts and costly productivity improvements. The trade deficit should decline to around $140 billion from the estimated 1987 figure of $170 billion. Further, with lower mortgage rates, housing starts may stabilize around 1.5 million in 1988, making it about an average year for this key industry. Business investment is being driven forward by the

(continued, pg. 82)

OUR READERS TELL US . . .

Uncertainty sets the mood among our readers when appraising next year's outlook, though any change should be moderate, says our poll, conducted by Research USA, Chicago. (Base: 103, unless otherwise noted.)

1. How do you think the economy will change over the next six months?

It will greatly improve	—%
It will somewhat improve	16.5%
It will stay the same	29.1%
It will somewhat weaken	52.5%
It will greatly weaken	—%
No answer	1.9%

(Base:103)

2. What do you think will happen to the following during the first half of 1988?

	Interest Rates	Consumer Spending	Inflation
Will rise	34.9%	7.8%	48.5%
Will stay the same	30.1	47.5	49.6
Will fall	34.0	44.7	1.9
No answer	1.0	—	—
	100.0%	100.0%	100.0%

3. Has your organization specifically revised its advertising budgets for the first half of 1988 because of economic uncertainty?

Yes	31.1%
No	68.9%

If "yes":

a. How much have your ad budgets changed overall for the first half of 1988?

They're up 1% to 9%	18.8%
They're up 10% to 19%	3.1%
They're up 20% or more	6.3%
They're down 1% to 9%	28.0%
They're down 10% to 19%	18.8%
They're down 20% or more	15.6%
No change	3.1%
No answer	6.3%

CHILLING FACTS

The American economy faces unprecedented problems during the next few years. The federal deficit continues, only slightly dented by the current congressional agreement. The merchandise trade deficit in current dollars remains at a record level. The value of the dollar continues to decline. The stock market meltdown eliminated one trillion dollars in value of common stocks.

The combination of severe economic problems will culminate in serious recession in 1988 and perhaps 1989. I expect that in 1988 real GNP will decline about 2% from 1987.

Recession is the word, however, not depression. The crash in the stock market has raised the question of a deep depression, such as that which occurred in 1929-1933, set off by the crash in the stock market which started in 1929. I doubt that we shall ever again go through the depression experience of the depths of 1929-1933.

For one thing, the ratio of government spending to total spending in the economy is much higher than in 1929. While this has unfortunate consequences for our tax burden, it also means greater stability in the economy. Government spending in the aggregate rarely, if ever, goes down, and as a result, the weighted stability of the economy is much higher. Plagued as they are with their own financial problems, the F.D.I.C and the F.S.L.I.C. still contribute to stability of the financial system. Social Security is a powerful source of strength in the economy. Much improved monetary policy and fiscal policy are of inestimable value.

Most disappointing is the stubborn negative trade balance, which reached a new record high in the third quarter of 1987. The excess of merchandise imports over exports, on an annual-rate, seasonally adjusted basis, was $157.5 billion in January-September 1987, compared with a deficit of $144.3 billion in calendar year 1986.

In real terms, there was some improvement early in the year, but not since the first quarter. Net exports of goods and services, annual rate, seasonally adjusted, as included in GNP on a constant dollar basis, were at a record minus $161.6 billion in the third quarter of 1986, and improved to minus $151.8 billion in the fourth quarter of 1986, and to minus $135.2 billion in the first quarter of 1987. Since then, there has been no improve-

(continued, pg. 82)

Total "up"	28.2%
Total "down"	62.4%
(Base: 32)	

b. What changes were made for each of the following media?

	Consumer Magazines	Business/ Trade Publications	Newspapers
Up	16.7%	27.3%	15.8%
No change	45.8	40.9	57.9
Down	37.5	31.8	26.3
	100.0%	100.0%	100.0%
Base*	(24)	(22)	(19)

	Television	Cable	Radio
Up	39.2%	25.0%	27.8%
No change	30.4	50.0	50.0
Down	30.4	25.0	22.2
	100.0%	100.0%	100.0%
Base*	(23)	(16)	(18)

	Outdoor	Sales Promotion	Direct Marketing
Up	17.6%	40.9%	31.5%
No change	70.6	22.7	47.4
Down	11.8	36.4	21.1
	100.0%	100.0%	100.0%
Base*	(17)	(22)	(19)

* Based on those answering question.

4. Have there been cutbacks in your organization over the past few months?

Yes	41.7%
No	58.3%

If "yes," in which of the following areas were cutbacks made? (Check all that apply)

Budget cuts	72.1%
Top management cuts	25.6%
Mid-management cuts	46.5%
Staff cuts	60.5%
(Base: 43)	

POSITIVE THINKING

whip of international competition.

That leaves us with a question mark for personal consumption, which accounts for about two thirds of the total demand for goods and services. Admittedly, the downward push on personal wealth stemming from recent stock market performance is a significant negative factor. People at the upper end of the income scale, where stock holdings are concentrated, will buy fewer luxury goods.

The vast majority of us, however, depend far more on current income than on accumulated wealth for purchasing power support. As long as the job loss associated with the stock market crash is confined to a few thousand financial-industry positions, rising total income will provide the basis for expanded employment and consumption, although perhaps only at a sluggish rate.

Yea: 1988 may be a year of moderate growth and inflation.

Thus, 1988 is likely to turn out to be a year of moderate growth and inflation, a good year on the whole for both business and consumers. Question marks certainly remain for 1989, but that's another story!

Francis H. Schott is a senior vice president and chief economist at Equitable Financial Companies in New York.

CHILLING FACTS

ment. The net exports were minus $132.7 billion in the second quarter of 1987 and minus $134.9 billion in the third quarter of 1987. Exports have risen, but imports have risen as much, or somewhat more. It hardly seems realistic to expect an "export-driven" expansion in the overall economy.

The stable sector of the economy includes consumer spending on nondurable goods and services, nondefense federal purchases of goods and services and state and local purchases of goods and services.

Important for consumer spending is the fact that disposable income in real terms has barely increased at all during the last year. Record high personal indebtedness can no longer be said to be offset by the "wealth" factor. Confidence has been dealt a real blow. Expansion in the national defense program is peaking out. Federal nondefense purchases are declining slightly, just barely offset by a slight growth in state and local spending.

This leaves the cyclical sector of the economy. In my judgment, we face decline in these areas: consumer spending on automobiles and other durables, residential construction, business spending on plants and equipment and changes in inventories.

The automobile industry is down to an annual rate of 6 million units, with heavy inventories. Consumers are probably past the point of much stimulation by incentives.

Nay: Real GNP for 1988 will fall about 2% from 1987.

Housing starts and sale of new houses have already fallen sharply. Loss of confidence and high prices are offsetting the very recent drop in interest rates.

Business spending on plants and equipment has shown strong gains in recent quarters. It may be expected, however, that there will be negative effects from the stock market crash and the emerging slowdown in many other parts of the economy.

Increase in business inventories has constituted about two fifths of the increase in real GNP since late 1986. Such accumulation in 1982 dollars — $47.6 billion in the first quarter, $39.0 billion in the second quarter and $24.1 billion — will come to an end and turn into liquidation as the other parts of the economy begin a decline.

Dr. John K. Langum is president of Business Economics, Inc., in Chicago, and author of the "Langum Report on the American Economy."

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ECONOMIC EYE

EYE ON '88

Bob Coen's crystal ball has come into focus at McCann, and here's what this director of forecasting sees for 1988: major national broadcast, +9.7%, $20.8 billion; national print, +6.4%, $9.6 billion; other national, +8.3%, $35.6 billion; total local +8.9%, $53.7 billion; grand total, +9.0%, $119.7 billion.

MAGAZINE AD SCORECARD

	Ad Pages Nov. 1987	% change from Nov. 1986	Dollars spent (000)	% change from Nov. 1986
1. Skin Care, Creams, Lotions and Oils	174.68	−8.6%	$ 6,283.0	−4.7%
2. Lip and Eye Beauty Products	87.07	+26.8	3,247.7	+38.9
3. Scents and Fragrances	323.36	+11.9	9,351.2	+27.3
4. Facial Makeup Products	94.42	+14.9	3,041.2	−3.8
5. Prepared Dinners and Entrees (including Pizza)	46.85	−35.7	2,430.4	−35.5
6. Liquor	642.07	+14.3	26,659.9	+23.0
7. Cigarettes	562.01	+1.7	29,823.8	+.4
8. Soaps and Detergents	45.93	−18.5	2,979.5	−18.5
9. Passenger Cars, Domestic	562.03	+10.6	30,260.6	+17.8
10. Passenger Cars, Imported	546.37	−3.3	27,566.2	+9.2

Source: Publishers Information Bureau as prepared by Leading National Advertisers

MEDIA COST INDEX

1985 = 100

1987

	Feb.	% change	Mar.	% change	Apr.	% change	May	% change	June	% change	July	% change	Aug.	% change	Sept.	% change
Network TV																
Daytime	86	−9	88	−8	92	−6	92	−6	95	−1	98	−5	85	−11	83	−11
Nighttime	105	+8	112	+7	99	+8	110	+6	112	+3	109	+2	113	+5	106	−0
Spot TV																
Prime time	133	+11	131	+13	134	+16	136	+14	130	+9	138	+10	126	+4	124	+18
Daytime	108	−0	108	−0	116	+11	118	+8	104	−1	108	−4	117	+7	102	+3
Network radio	130	+12	126	+11	116	+4	116	+2	114	−1	102	−0	104	−1	106	+2
Spot radio	101	−1	←	←	←	←	98	+3	←	←	←	←	103	+1	←	←
Consumer magazines	109	+3	110	+4	109	+3	109	+3	109	+3	109	+3	109	+3	109	+3
Natl. Sunday mags	103	+11	103	+11	103	+11	103	+11	103	+7	103	+7	113	+7	118	+14
Business publications	111	+5	111	+5	111	+5	111	+5	111	+5	111	+5	111	+5	111	+4
Newspapers	116	+8	116	+8	116	+6	116	+8	116	+7	115	+7	115	+7	115	+7
Outdoor	111	+6	111	+6	114	+6	114	+8	114	+6	114	+6	114	+6	114	+6

Notes: Percentage shown is relative change from the same month/period the year before.

1985 = 100

Sources:

Nighttime Network TV—Cost per average 30-second spot, 7:30-11 p.m. Monday-Saturday and 7-11 p.m. Sunday from Broadcast Advertisers Reports' (BAR) Network TV Service.

Daytime Network TV—Cost per average 30-second spot, 10 a.m.-4:30 p.m. Monday-Friday from BAR's Network TV Service.

Network Radio—Cost per average 30-second radio announcement from BAR's Network Radio Service.

Consumer Magazines estimate based on reported SRDS cost of a page, four-color in 40 national consumer magazines, as reported by Magazine Publishers Assn.

National Sunday Mags estimate based on published (rate cards) costs of a page, four-color in the national entries.

Daily Newspapers estimate based on Newspaper Advertising Bureau report of SRDS costs per column inch of a sample of 784 newspapers weighted to represent the universe.

Outdoor Posters based on estimate prepared by Institute of Outdoor Advertising.

Spot Radio index represents cost of a 60-second spot in the top 100 markets from data supplied to Radio Expenditure Reports by major radio representatives.

Business Publications estimate based on reported SRDS cost of a page, four-color in 48 publications representing 42 business and professional classifications.